

Des Moines Register

Register Exclusive: An inside look at a Des Moines drug investigation

Search warrants detail how D.M. police conducted large investigation into sale, distribution of synthetic drugs

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Des Moines Police Department Public Information Officer Sgt. Jason Halifax showed evidence at press conference detailing search warrants and arrests of multiple people involved in on-going investigation of the sale of synthetic marijuana. Evidence included pipes, foreground right, and packets of the synthetic marijuana, commonly referred to as "K2", among other names. Press conference was held at the Des Moines Police Department on Tuesday afternoon March 4, 2014.



Des Moines Police Department Public Information Officer Sgt. Jason Halifax showed evidence at a March 4 news conference detailing search warrants and arrests of multiple people involved in an ongoing investigation of the sale of synthetic marijuana. / Bill Neibergall/Register file photo

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A centralized network of traffickers working with one supplier funneled synthetic drugs into the Des Moines area, generating hundreds of thousands of dollars in revenue, authorities contend in search warrants filed in Polk County District Court.

More than 400 pages of search warrant documents provide a detailed look into how the Des Moines Police Department put together what it describes as its largest-ever investigation into the sale and distribution of synthetic drugs.

The result was the arrests in early March of seven convenience store clerks accused of selling synthetic marijuana. Charges are expected soon against store owners, who police said made hundreds of thousands of dollars in tax-free income off the synthetic drugs.

During the six-month investigation, law enforcement officials also encountered people who used the synthetic drugs. Paramedics were called to the home of one woman, who regularly smoked synthetic marijuana for more than a year, after she apparently suffered a heart attack in late January, the search warrants said.

A pipe and synthetic marijuana were found next to her lifeless body, the warrants said.

Also included in the search warrants are descriptions of undercover surveillance, financial data and information from federal authorities.

The warrants list anonymous tips that pointed authorities to the seven Des Moines area stores that were under investigation.

The warrants also summarize the conclusions investigators drew from more than 60 instances in which undercover officers or confidential informants tried to buy the drugs.

Controlled buys

Law enforcement and drug prevention officials have tried for four years to get synthetic drugs off the market by passing laws banning specific chemical compounds that mimic the effects of marijuana. Manufacturers have stayed one step ahead, tweaking formulas just enough to be legal.

In 2013, three Iowa deaths were linked to synthetic marijuana, officials said. Since July 1, Des Moines police received 53 reports relating to the drug, including the January death of the Des Moines woman, officials said.

The Des Moines police investigation represented a new tactic for law enforcement in the ongoing battle against synthetic marijuana, a drug authorities say is unpredictable and dangerous.

Rather than charging the sellers for distributing a controlled substance, police focused on proving the suspects were packaging, marketing and selling the products as a way to get high.

To establish that, undercover officers and their confidential informants attempted about 60 controlled buys at six stores; they were successful 45 times. Of those purchases, only about 15 were found to be a substance banned by Iowa law, the search warrants show.

But Des Moines Police Officer Brady Carney wrote in the search warrants that the undercover operations, which were all recorded, pointed to all the substances being sold purely as a drug.

According to information included in the warrants:

- Each store targeted kept the synthetic drugs behind the counter and out of sight. Store clerks were selective about to whom they sold the drugs.

“On occasion, they would refuse to sell me synthetic cannabinoids but would sell it to confidential informants,” Carney wrote in the warrants. “No reasonable, legitimate explanation exists for such selectivity if these synthetic cannabinoids are being sold as incense or potpourri as opposed to controlled substances.”

- The synthetic drugs were sold in 3-ounce packets, a common weight associated with the purchase of marijuana. Each packet sold for \$15 to \$30, a price comparable to a similar quantity of marijuana in Des Moines. However, the price was far more than the \$3 the stores charged for other incense products, which were not kept behind the counter.
- Most clerks required proof of age before selling the packets, though there are no age limitations on buying incense or potpourri.

“Based on my training and experience, I have never encountered an individual utilizing synthetic cannabinoids as directed on the package,” Carney wrote.

On Aug. 31, a confidential informant walked into Nat Food Mart, 3804 Hubbell Ave., and talked to the clerk about “getting something to put in a wrap to smoke,” and slid the clerk \$20, according to the search warrant. The clerk handed the informant a pouch of Blue 7H, the search warrant said.

On Nov. 19, the same confidential informant went to Shop ‘N’ Save, 1829 Sixth Ave., and asked the clerk for a miniature cigar, commonly emptied of tobacco and used to wrap synthetic drugs. The confidential informant also asked for “whatever kind was better,” Carney wrote in a warrant. The employee told the informant to get a “\$25 bag,” police said. The informant asked the clerk if it was better than another brand of synthetic marijuana, and the clerk said yes and sold the informant a bag of synthetic drugs.

The network

Each of the stores under investigation in Des Moines operated in ways that mirrored a drug trafficking organization in northeast Iowa under investigation by local and federal authorities, according to the search warrants.

The organization is linked to a Pakistani national believed to be living in Des Moines, who has primary supply sources on the West Coast and Midwest, as well as an extensive distribution network of dozens of retail stores, authorities said in the search warrants. The man’s vehicle was spotted at several of the stores associated with synthetic drug sales in Des Moines, according to the search warrants.

The Des Moines Register is not identifying the man because he has not been charged in connection to the synthetic drug investigation.

But information Des Moines police received from officials in northeast Iowa indicate the man is involved in distributing large amounts of synthetic cannabinoids in several Iowa cities and has at least eight co-conspirators who assist in the sales, provide transportation and facilitate money laundering, according to the warrants. Agents estimated the organization distributes tens of thousands of packets of synthetic drugs each year.

The man receives the drugs from Los Angeles and agents have intercepted shipments, which appeared to have little effect on the operation, according to the warrants.

In 2006, the Iowa Division of Criminal Investigation opened an investigation into the man, who has felony convictions, for laundering money through Iowa casinos. That investigation has since expanded to include the FBI and Internal Revenue Service, according to the warrants.

In addition to sales of synthetic drugs at local convenience stores, at least two people told Des Moines police of individuals who bought the product and re-sold it to teenagers, according to the warrants.

“(The witness) stated there is currently a big problem with ‘K2.’ ... (He) stated some students have received 400-pack bags and then sell them at school,” Carney wrote in the warrants.

Tracking money

During the investigation, authorities located 13 bank accounts associated with the owners of three Shop ‘N’ Save stores and seven accounts for the two Nat’s Food Marts, according to the search warrants.

Employees of the bank that carried the accounts expressed concerns about the number of accounts the stores had and the amount of cash deposits, Carney wrote in the warrant.

Typically, accounts for stores similar to the ones investigated average 27 percent of their deposits in cash. The stores under investigation made 75 to 80 percent of their deposits in cash, according to the warrants.

The bank employees “stated the abnormally high percent of cash sales associated with these business accounts suggested income from somewhere other than traditional sales,” Carney wrote in the warrant.

A subpoena also revealed checks worth hundreds of dollars issued from the accounts to “Prince,” believed to be a California company that manufactures the drugs, according to the warrants. Officers also found multiple large transfers between accounts, some as large as \$15,000.

The store owners were likely bringing in hundreds of thousands of dollars in income from illegal drug sales, according to the warrants. A set of accounts associated with Shop 'N' Save stores had \$720,481 in them. Accounts for Nat's Food Marts had more than \$75,000.

And much of the income was apparently tax-free, according to the warrants.

When undercover officers and confidential informants bought the synthetic drugs, clerks rang up those products separately from others. The clerks charged a sales tax on other products purchased, but not on the packets of drugs, according to the warrants. The clerks also put the cash used to pay for the drugs in a separate box behind the counter.

When investigators executed the search warrants two weeks ago, they seized more than 1,300 packets of synthetic drugs, almost \$10,000 in cash and boxes of financial records.

Officials said they will be able to use those financial records to get an even better understanding of the drug trafficking organization.

The stores involved are open but operating under an emergency liquor license revocation.